

# Memo

From: Terry Whiteside  
Date: July 20, 2007  
Re: **Transportation Report**



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## **HOUSE AGRICULTURE COMMITTEE VOTES TO INCLUDE REP. WALZ'S AMENDMENTS ON RAIL STUDY IN FARM BILL**

The Alliance for Rail Competition (ARC) should be very proud of the work efforts by Fran Boyd & Rick Meyers of Meyers & Associates (ARC's Washington Reps) and the ARC members and farm organizations that assisted **Rep. Walz (MN)** together with **Rep. Pomeroy (ND)** with the support of **Chairman Colin Peterson** of the **House Agriculture Committee** in securing an amendment to the Rural Development Title which directs the USDA to study the problems with rail capacity and the effect on railroads on agriculture and rural America. Once again the coalition of rail shippers, working together in DC, was able to use this amendment to educate yet another large Congressional committee on the 'railroad problems.'

Thanks to ARC's close working relationship with agriculture and Fran's untiring efforts, chalk this as the **7<sup>th</sup>** amendment that the rail shippers have been able to insert in recent legislation which calls attention to the 'railroad problem'.

As reported on DTN this morning: "A group of Midwestern congressmen wants USDA to study the problems with rail capacity and the effect of railroads on agriculture and rural America.

The House Agriculture Committee debated an amendment to the rural development title in the farm bill seeking a detailed study of rail and the changing dynamics in rural America because of ethanol production. Lawmakers said the lack of good rail infrastructure was affecting the price of commodities and ability of producers to move grain, ethanol and ethanol by-products.

"Our concern is how rail is impacting agriculture and the economy of rural America," said Rep. Tim Walz, D-Minn.

There were questions about the authority and qualifications of USDA to examine transportation issues in rural America or if these issues were outside the purview of the committee. Walz said the trouble is that few issues raised the ire of his constituents when it comes to transportation more than rail for agricultural commodities.

Rep. Earl Pomeroy, D-N.D., concurred; saying rail and high shipping costs were a primary concern in his state.

"It is shaping the economic future of the state I represent," Pomeroy said. "I don't think we ought to make any bones about it. It's rail."

House Agriculture Committee Chairman Collin Peterson, D-MN, said he wants to see fewer trucks on the road and would like to have railroads more on board when it comes to hauling ethanol.

"In our part of the world, frankly, we need to get some of these trucks off the road and get this stuff in rail cars," Peterson said.

Peterson asked lawmakers to form a group among themselves to determine the scope of a rural transportation study and whether barge and trucking should be added to the study. Peterson also wanted to make sure the House Transportation Committee had no problem with the Agriculture Committee or USDA looking into these issues."

## **RAIL SHIPPER LEGISLATIVE VICTORIES CONTINUES TO GROW**

<b>Sponsor</b>	<b>Amendment</b>	<b>Vehicle</b>	<b>Senate Committee</b>	<b>Senate</b>	<b>House Committee</b>	<b>House</b>
Sen. Byron L. Dorgan (D-ND)	Cap STB filing Fees at \$350	FY2008 Transportation Appropriations Bill	7/11			
Rep. Richard H. Baker (R-LA)	Study of rail pricing policies	Transportation Energy Security and Global Climate Change Bill HR 2701			6/20	
Rep. Richard H. Baker (R-LA)	Railroad report on infrastructure improvements	Rail Safety Improvement Bill HR 2095			6/14	
Sen. Byron L. Dorgan (D-ND)	Transportation Dept. Inspector General Annual Report on Rail Service Disruptions	FY2008 Transportation Appropriations Bill	7/11			
Sen. Byron L. Dorgan (D-ND)	Study on Ethanol infrastructure and transport	Renewable fuels and energy efficiency Bill HR6	6/14	6/21		
Rep. Tammy Baldwin (D-WI)	Study of ethanol infrastructure and transport	Alternative fuels and energy efficient			6/28	

		vehicles Bill (Unassigned)				
Rep. Tim Walz (D- WI)	Study of rail and the changing dynamics in rural America because of ethanol production	2007 Farm Bill HR 2419			7/19	

## IN KANSAS CITY, REGULATOR HEARS UTILITIES VENT ABOUT RAILROAD SERVICE AND LACK OF RAIL COMPETITION

"Utilities say part of the problem with rail service is the lack of competition among railroads. The utilities are urging a federal panel to set service standards, which the railroads oppose.", according to a report from the *Kansas City Star*

A hearing by the Surface Transportation Board on Wednesday, July 18<sup>th</sup> in Kansas City drew candid comments from utilities on the lack of rail competition in the Powder River Basin coal complex and the lack of competition's effects on service and rates.

According to utility representatives, service is deteriorating while shipping rates are rising.

"In late 2003 or early 2004, the railroads drove a stake through the heart of competition, and now it's dead," said Dennis Rackers, director of procurement for **Dairyland Power Cooperative** in La Crosse, Wis. "Since then, it's been a good time to be a railroad."

Utilities stated that shipping rates (freight rates) have nearly doubled in the past two years, according to several utility executives. Meanwhile, rail delivery of the coal needed to generate electricity at power plants has become increasingly erratic and unreliable, requiring utilities to often buy power on the spot market at higher costs.

While utility representatives urged the board to establish stronger oversight procedures with the railroads, the STB as usual stated it was just taking testimony and asking questions.

Railroad representatives spoke first and discussed the capital investments that were being made to handle the greater volumes the industry has experienced in the past several years. The prospect of a growing ethanol market and the ability of railroads to handle that commodity in the future were also discussed.

A board commissioner asked whether there was good communication between railroads and utilities during times when electricity demand spikes and utilities need to stockpile their coal inventories.

"In general, yes," said Christopher Jenkins, **CSX Transportation's** vice president of coal. "There's constant dialogue between us and our utility customers." The dialogue used to lead to compromises between the railroads and utilities when service problems arose, said Dave Laffere, representing the **Western Coal Traffic League**, which includes **Kansas City Power & Light Co.**

"Unfortunately, these compromises are becoming more rare," said Laffere, who also is KCP&L's manager of fuels. "The carriers are becoming more aggressive in their financial goals while de-emphasizing service commitments."

**Utilities say part of the problem is the lack of competition among railroads. The utilities are urging the Surface Transportation Board to set service standards, which the railroads oppose.**

**"We've basically got two railroads in the West (Union Pacific Railroad and BNSF Railway) and two in the East (Norfolk Southern and CSX)," said Steve Sharp of the Arkansas Electric Cooperative Corp.. "They've pretty much decided not to compete against each other."**